

# **Bloomberg** **GOVERNMENT**

## **Where are the Small Business Opportunities in the Department of Defense?**

**KEVIN BRANCATO**  
Senior Defense Analyst

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# EXECUTIVE SUMMARY

## Contracting Trends

### **Small business opportunities are in every corner of DOD**

- » DOD leads agency small business spend, Army leads military services
- » Federal spending on small businesses has dropped with overall trend
- » Small primes win 15 percent to 18 percent of DOD contract dollars
- » Unrestricted funds almost as important to small business as set-asides
- » Small businesses are rising as a share of multiple-award contracts
- » For small businesses, MACs not run by GSA have taken off

## Critical Roles

### **Small businesses are playing an ever-greater role in DOD acquisition**

- » DoD coming close to meeting goals for small-business prime contracting
- » Small business subcontracting used for bringing in technology and for reducing cost
- » SBIR is still vibrant

## Outreach

### **DOD small business offices have stepped up outreach**

- » As a result, the market is saturated with information about small business
- » DOD is finding every area where small business can compete
- » Offices continue to figure out the work that small business can't perform

## Opportunities

### **All defense agencies have new opportunities for small businesses**

- » Breakup of expiring single-award IDIQ contracts
- » Recompetition of existing MACs

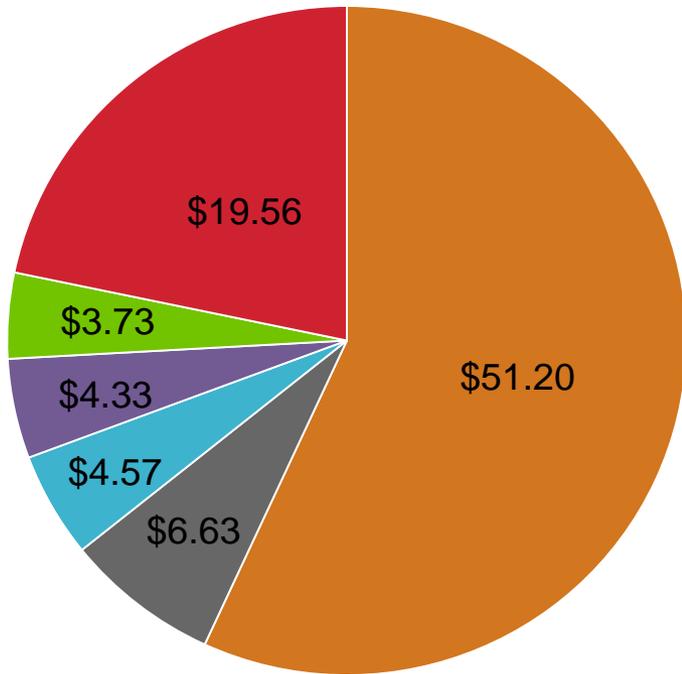
# SMALL BUSINESS CONTRACTING MIRRORS THE OVERALL FEDERAL MARKET

## The Defense Department leads all agencies in small business awards...

» Other agencies have substantial small-business funding

Fiscal year 2013

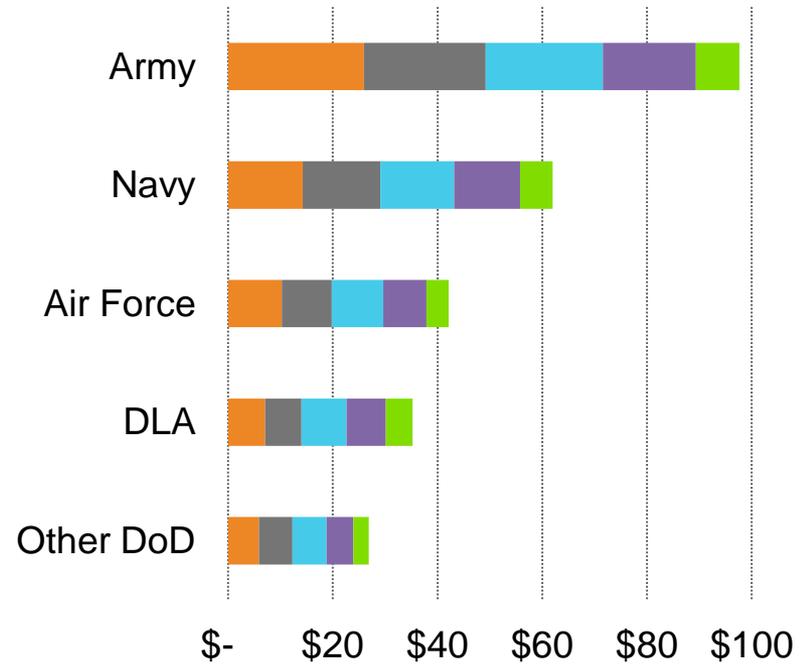
DoD VA HHS Treasury DHS All Other



## And the Army has led other military services in small business contracts

» Yet other services combined award far more than the Army

FY2010 FY2011 FY2012  
FY2013 FY2014YTD

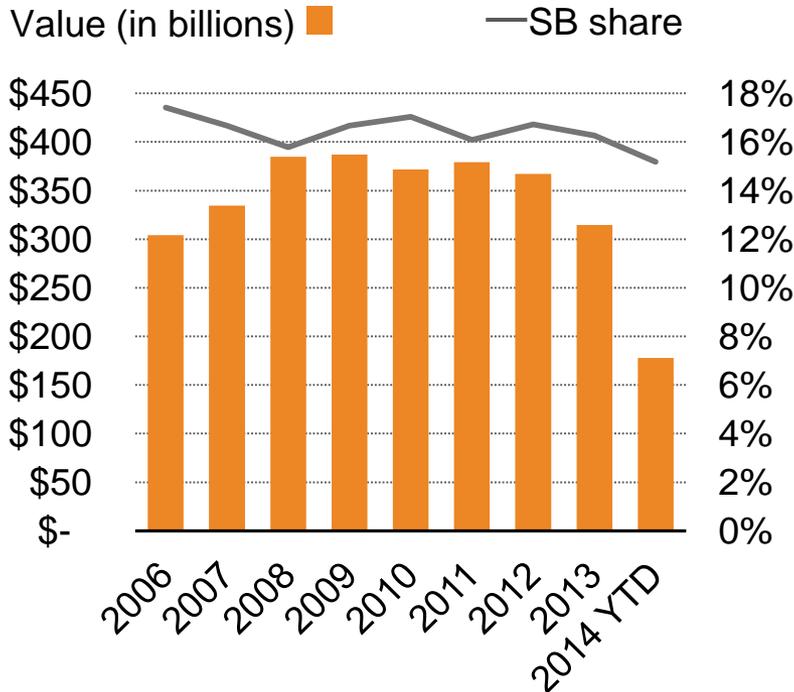


Source: Bloomberg Government proprietary federal procurement database

# DESPITE THE DOWNTURN, SMALL BUSINESSES ARE HOLDING THEIR OWN AGAINST LARGE BUSINESSES

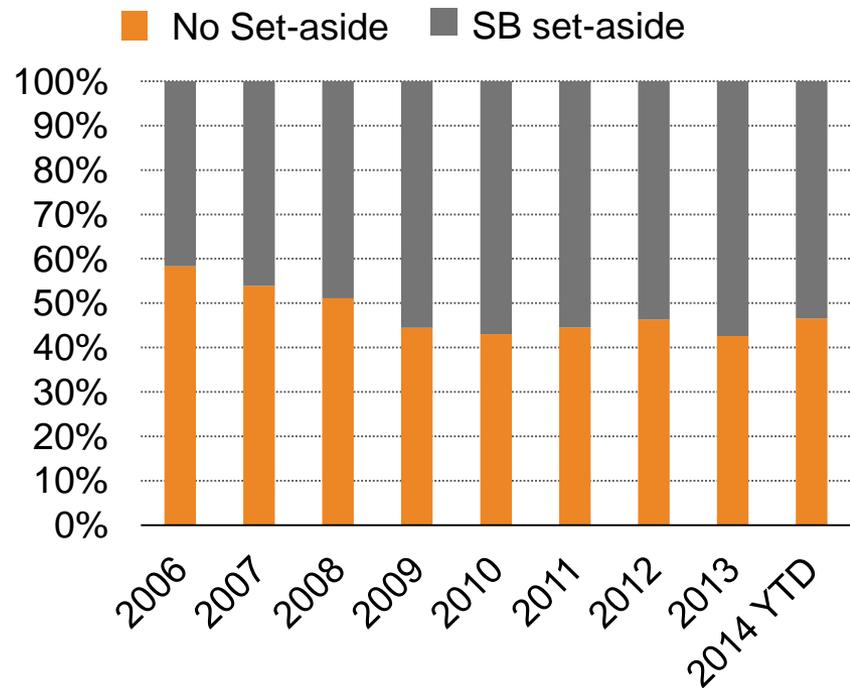
## Small businesses have been winning 15% to 18% of all DOD obligations

- » Totals include all funds reported to the Federal Procurement Data System
- » Figures aren't adjusted for contracts that small business cannot perform



## About 55 percent of DOD obligations to small businesses are set-aside

- » That's flipped from 2006 and 2007, when 55 percent of DOD obligations to small business were not from set-asides



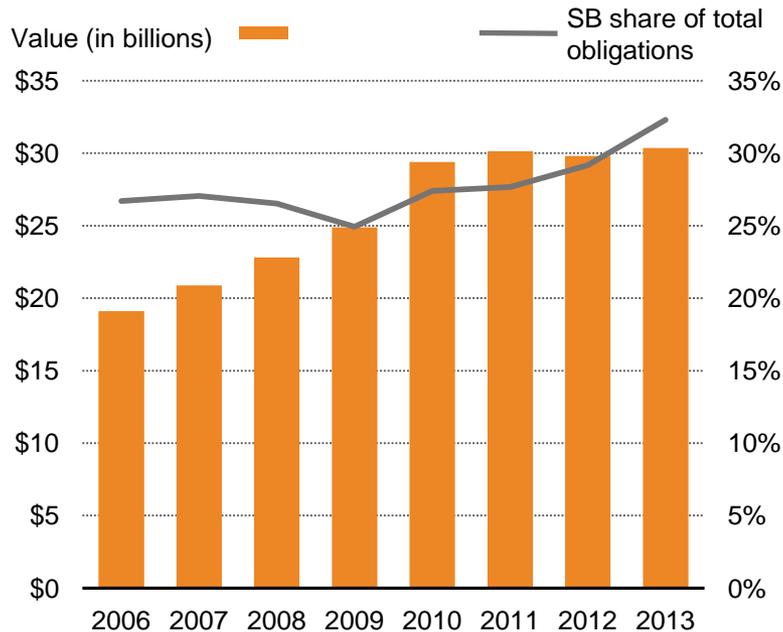
Source: Bloomberg Government proprietary federal procurement database

# SMALL BUSINESSES ARE WINNING AN INCREASING SHARE OF MAC DOLLARS

## Small businesses won 32 percent of all MAC dollars in fiscal 2013

- » Federal agencies have awarded increasing shares of MAC work to small businesses, partly in response to several policy initiatives\*

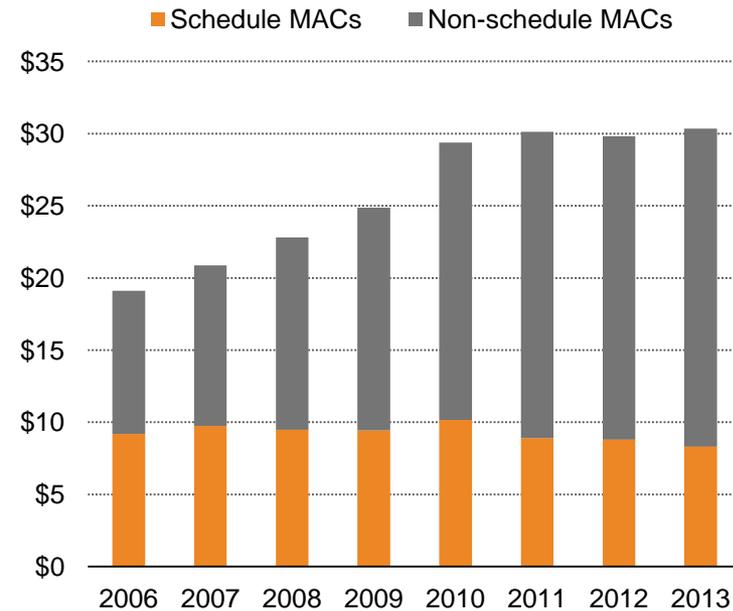
By fiscal year



## Virtually all small-business gains have been on non-schedule MACs

- » Large non-schedule MACs like SeaPort-e, SEWP IV and Alliant Small Business have provided billions in opportunities to small businesses in recent years

Small-business obligations in billions, by fiscal year



\*These include set-aside provisions included in the 2010 Small Business Jobs Act and agency-specific methods for increasing small business awards on certain MACs.

Notes: Amounts include schedule and non-schedule MAC spending. Amounts shown for schedule MACs, which were retrieved from the Federal Procurement Data System, may be much lower than what is reported in GSA's Schedule Sales Query (SSQ), since SSQ includes micropurchases and spending by state and local governments.

Source: Bloomberg Government proprietary federal procurement database

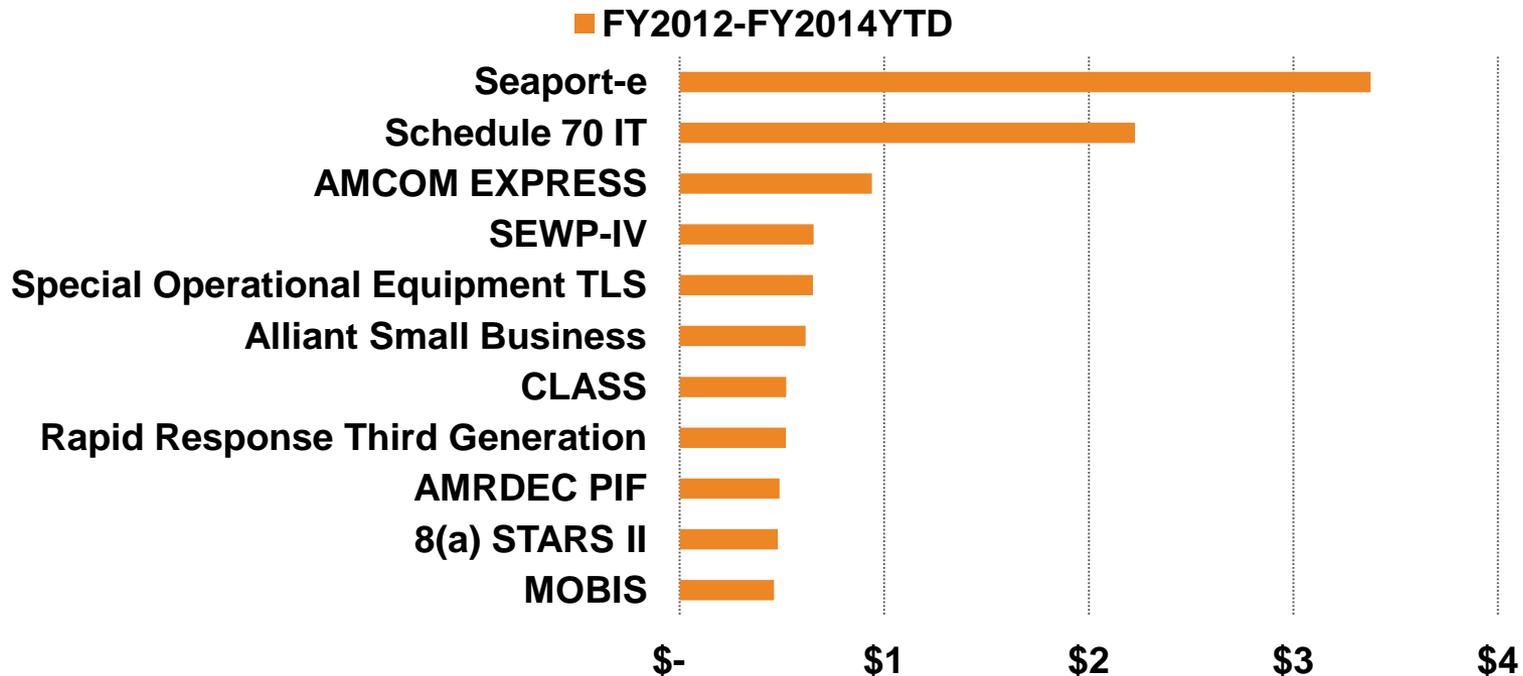
# TEN BIGGEST MULTIPLE AWARD CONTRACTS FOR DOD SPENDING ON SMALL BUSINESS

## Information Technology

- » Seaport-e and Schedule 70 dominate MAC spending on small businesses

## Long tail

- » Another 20 MACs have seen orders of at least \$100 million from small business since fiscal 2012



Source: Bloomberg Government proprietary federal procurement database

# U.S. LAW AND DOD POLICY MAXIMIZE THE USE OF SMALL BUSINESS ON MULTIPLE AWARD CONTRACTS

## Better Buying Power

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### Small Business Jobs Act of 2010

- » Set in motion changes in policy emphasizing the use of small business contractors, especially on multiple award contracts
- » Final Small Business Agency [rules](#) went into effect on Dec. 31, 2013

### OSD

- » DPAP memos from [2011](#) and [2012](#) continue to encourage more small-business contracting in DoD, including the use of SB set-asides on MACs
- » Deputy Secretary of Defense wrote in [2012](#) that senior executives will be held accountable for meeting small business goals

### DOD contracting and subcontracting goals

- » Prime contracting [goal](#) of 21.35 percent is slightly down in fiscal 2014. Actual [performance](#) hovers around below target at about 20 to 21 percent
- » Subcontracting goal of 36.7 percent has been relatively stable, with performance in the 34 percent to 37 percent range.



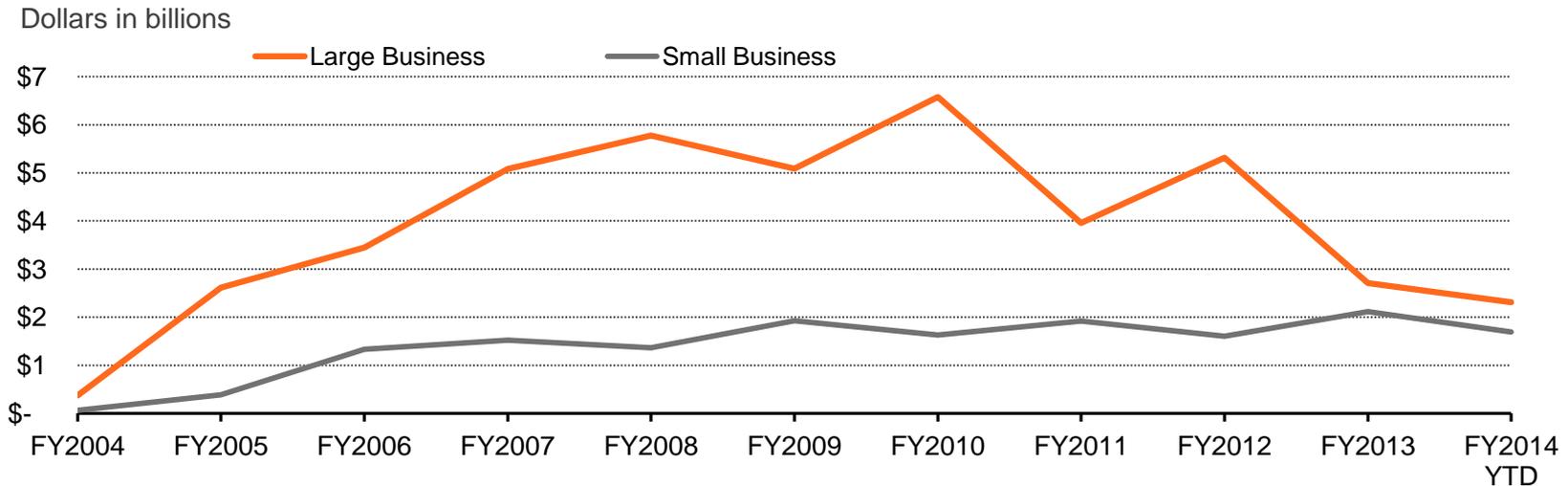
# SEAPORT-E IS THE FEDERAL GOVERNMENT'S LARGEST MAC OUTSIDE OF THE SUPPLY SCHEDULES

## More than 40 percent

- » Small businesses on Navy's Seaport-e are on track to win more than 42 percent of Seaport-e awards in fiscal 2014
- » Only 19 percent of Seaport-e awards were small in 2010

## Transition from 2012 to 2013

- » Small business awards increased 32 percent as large business awards halved
- » Three quarters of awardees are small businesses



Lines show potential value of award  
 Source: Navy Seaport Enhanced Task Order Award Report

# DOD'S BIGGEST SMALL BUSINESSES DEPEND ON MARKET SECTOR AND USE OF MACS

## DOD Health IT

- » Small businesses have been prime targets for acquisition because of their slots on MACs (here D/SIDDOMS III)

Rank	SB Prime contractor	Contract dollars FY2012 -FY2014YTD (millions)
1	Planned Systems International Inc	103.1
2	Clinicomp International	73.3
3	Evolvent (ManTech)	49.6
4	Data Networks Inc	23.4
5	Systems Made Simple Inc	23.3
6	World Wide Technology Holding Co Inc	22.8
7	immixGroup Inc	21.6
8	Eleu Pacific Partners LP	17.1
9	Universal Consulting Services Inc	17.0
10	Informatics Applications Group Inc/The	15.0

## DOD Training and Simulation

- » STRICOM II, Seaport-e, and MOBIS are the top three MACs

Rank	SB Prime contractor	Contract dollars FY2012 -FY2014YTD (millions)
1	Crew Training International Inc	86.8
2	Proactive Technologies LLC	82.7
3	Tatitlek Corp	71.7
4	Delaware Resource Group of Oklahoma LLC	70.8
5	Arotech Corp	52.1
6	Intelligent Decisions Inc/VA	49.4
7	Cole Engineering Services Inc	47.7
8	Carley Corp	47.4
9	Nova Technologies An Employee Owned Engineering Co	44.8
10	Cymstar Services LLC	42.9

Source: Bloomberg Government proprietary federal procurement database

# SBIR AND STTR OPPORTUNITIES ARE STILL SUBSTANTIAL

The focus areas for SBIR and STTR align with long-range DOD and service R&D priorities

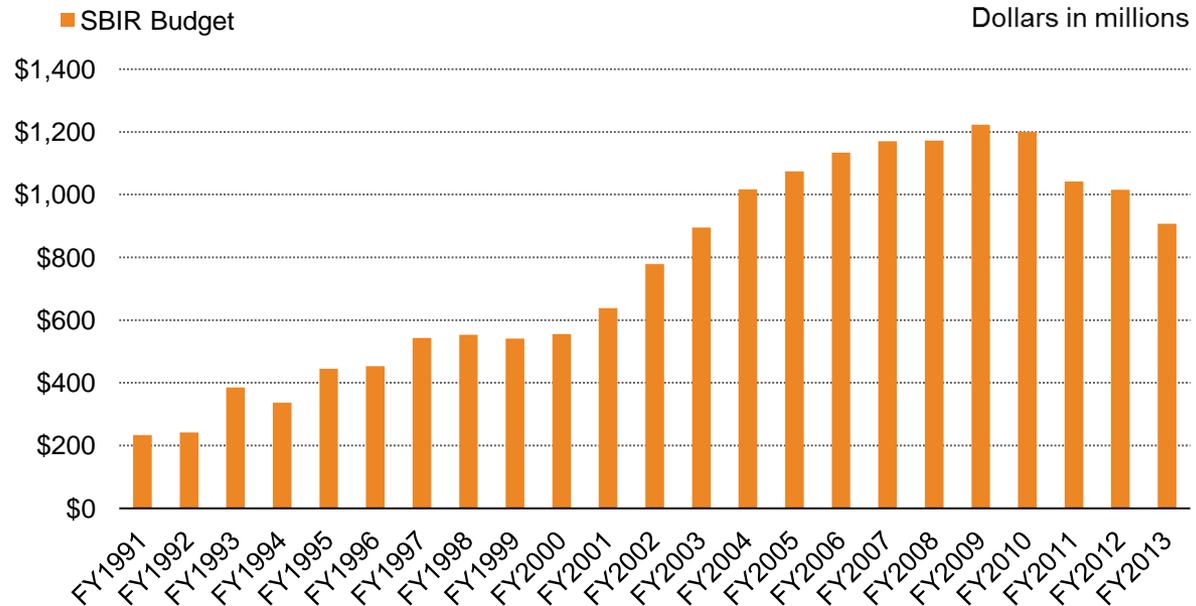
Contractors retain technical data and patents, DOD gets royalty-free licenses

Air Force is not participating in 14.3 or 14.B

DOD SBIR Program has been a billion-dollar opportunity for a decade

## An ongoing effort to reach high-technology small businesses

- » DOD issues three SBIR and two STTR solicitations per year
- » For-profit small businesses with fewer than 500 employees
- » Three phase program:
  - » I: \$70K to \$150K for feasibility,
  - » II: \$500K to \$1M for R&D
  - » III: Commercialization Latest solicitations posted Aug. 21
- » Current contract opens for bids on Sept. 22 and closes on Oct. 22



# UPCOMING MULTIPLE AWARD CONTRACT OPPORTUNITIES FOR SMALL BUSINESSES

## Missile Defense

### **Integrated Research and Development for Enterprise Solutions (IRES)**

- » Replacing \$300 million a year single-award IDIQ with Northrop Grumman for missile defense technical solutions

### **Engineering and Support Services Follow On Acquisition**

- » Could centralize the acquisition of support services for BMDS

## SOCOM

### **SOCOM Wide Mission Support (SWMS)**

- » The replacement for Global Battlestaff and Program Support MAC, a single contract with four primes, will be a three-part MAC with about 10 primes. Education and training will be small-business set-aside. A list of possible future task orders is now available.

## Air Force

### **Training Systems Acquisition (TSA) III**

- » Training system analysis, design, development, production, installation, integration, test, database generation, and sustainment.
- » Contracts to be awarded soon



# UPCOMING MULTIPLE AWARD CONTRACT OPPORTUNITIES FOR SMALL BUSINESSES

## Army

### **Responsive Strategic Sourcing for Services (RS3)**

- » Complex knowledge-based services for requirements with C4ISR needs
- » All SETA task orders, as well as all tasks valued at less than \$10 million, will be awarded through the small-business suite
- » RS3 would replace S3, R2-3G
- » Unlike GSA OASIS, it won't use pools

## Intelligence

### **Enhanced Solutions for the Information Technology Enterprise (E-SITE)**

- » DISA will have a small-business track of its \$6 billion MAC to design, field and sustain intelligence capabilities globally
- » Small-business subcontracting goal of 36.7 percent

## Air Force

### **NETCENTS II**

- » The replacement for Global Battlestaff and Program Support MAC, a single contract with four primes, will be a three-part MAC with about 10 primes. Education and training will be small-business set-aside. A list of possible future task orders is now available.

## What to watch

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### **Expect small businesses to continue winning an increasing share of MAC dollars**

- » Recent agency [rules](#) and [memos](#) continue to encourage more small-business contracting, including the use of SB set-asides on MACs

### **Expect more large SB-only MACs**

- » OASIS SB and Alliant II SB

### **Mergers and Acquisitions (M&A) activity to gain access to MACs may level off**

- » Small businesses on many new MACs, such as DHS [EAGLE II](#), can't win new work if they're acquired by a large business

### **On-ramping and off-ramping will continue**

- » Many SB-only contracts, like [Alliant SB](#), contain on- and off-ramp provisions to maintain a vibrant, competitive pool



# Q&A

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# ABOUT THE BGOV ANALYST



Kevin Brancato is a Senior Defense Analyst with Bloomberg Government. Before joining Bloomberg, he was a management scientist at the RAND Corporation, where he analyzed weapon system costs and defense manpower policies. He received a B.A. in math from Columbia University and a Ph.D. in economics from George Mason University.

[kbrancato@bloomberg.net](mailto:kbrancato@bloomberg.net)

+1 202 416 3385

@kevinbrancato



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